

ACCUMULATE

CMP (Rs)	1,316
Target Price (Rs)	1,470
Potential Upside	11.7%
Sensex	72,987
Nifty	22,201

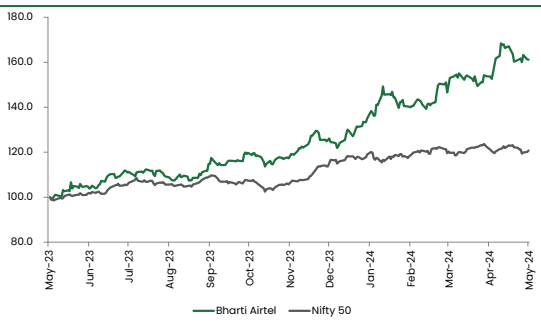
Key Stock data

BSE Code	532500
NSE Code	BHARTIARTL
Bloomberg	BHARTI:INN
Shares o/s, Cr (FV 5)	604.7
Market Cap (Rs Cr)	7,56,033
3M Avg Volume	66,85,509
52 week H/L	1,354/784

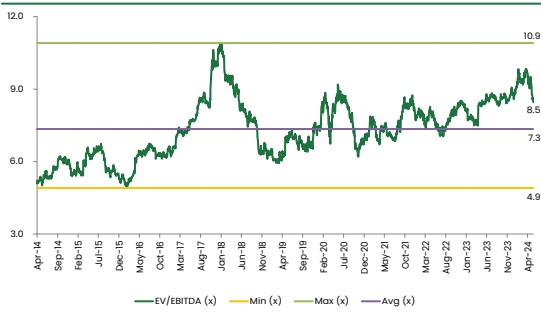
Shareholding Pattern

(%)	Sep-23	Dec-23	Mar-24
Promoter	54.75	54.57	53.49
FII	21.9	22.7	24.4
DII	19.8	19.7	19.4
Others	3.5	3.0	2.8

1 year relative price performance



1 year EV/EBITDA Forward (x)



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India business remains healthy while African markets drag

Q4FY24 Result Update | Sector: Telecom | May 16, 2024

Muted top-line growth and declined profitability: Bharti Airtel consolidated revenue from operations reported flattish growth of 4.4% YoY while declined sequentially by 0.8% QoQ to Rs 37,599cr. The company reported healthy business in India with a growth of 2% QoQ/13% YoY to Rs 22,066cr, however, African mobile services revenue reported a de-growth of 9.7% QoQ/15.8% YoY to Rs 9,293cr. Owing to increased operating overheads EBITDA declined sequentially by 2.3% and single digit increase on YoY basis by 3.6% to Rs 19,365cr with a margin decline of 78bps QoQ/42bps YoY to 51.5%. Consequentially, PAT reported a de-growth of 15.2% QoQ/31.1% YoY to Rs 2,072cr.

India business remains healthy: Bharti Airtel's India business which forms 58.7% in terms of revenue and 46.3% in terms of EBIT reported revenue growth of 2% QoQ/13% YoY and EBIT growth of 0.7% QoQ/18.3% YoY. India business reported healthy subscribers' growth rate of 2.4% QoQ/8.3% YoY to 406mn while ARPU growth remained flat sequentially at 0.5% QoQ and YoY growth of 8.3% to Rs 209. The company continues to add 4G subscribers at a healthy rate of 3.2% QoQ/12.8% YoY which shall aid the ARPU growth in the long term.

African business continue to decline: Africa business continued to report weak financials during the quarter as the mobile service revenue declined by 9.7% QoQ/15.8% YoY to Rs 9,293cr while EBIT declined by 15.6% QoQ/19.9% YoY to Rs 2,883cr. Despite these headwinds, the company remains optimistic about its performance in the region, leveraging its strong operational capabilities and market presence. The slowdown in economic growth has been a temporary setback, but Airtel's long-term outlook remains positive, with plans for continued investment, expansion, and customer-centric initiatives to drive sustainable growth in the region.

Healthy performance of other businesses: The Company's other segment continued to grow at a steady pace. The company derives value from business segment and home service which reported healthy growth of 14.1%/20% YoY. Its B2B segment has been a cornerstone of its business strategy, catering to enterprise clients with tailored solutions and services. The exceptional performance in the domestic enterprise business, growing at a rate of 18-20%, significantly outpaces its listed peers, which grew at mid-single digits. The outperformance is combination of factors, including gaining market share in connectivity, launching successful solutions like Airtel IQ and leveraging the potential of cloud and analytics services. The recent deal with Google in the cloud area is a testament to Airtel's strategic expansion efforts, highlighting the immense growth opportunities that lie ahead in the B2B segment.

Outlook and valuation: Bharti Airtel reported decent top line growth, however, its India business reported steady growth. The company has added subscribers at a healthy pace however; APRU remained flat during the quarter. The management expects ARPU to expand by H2FY25. The company continues to expand its reach geographically and expects premium plans to pick up gradually. Financially, we expect revenue/EBITDA/PAT to grow at a CAGR of 19%/22%/24% over FY24-26E. We change our rating to **Accumulate** and also revise our target price to **Rs 1,470** valuing the company at EV/EBITDA multiple of 9x of its FY26E financials.

Financial Summary – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net revenue	139,145	149,982	179,979	212,375
EBITDA	71,274	78,292	96,829	116,202
EBITDAM (%)	51.2	52.2	53.8	54.7
PAT (After minority interest)	8,346	7,467	10,650	17,408
PATM (%)	6.0	5.0	5.9	8.2
EPS (Rs)	14.7	13.0	18.5	30.3
EV/EBITDA (x)	13.3	12.0	9.7	8.2
PE (x)	87.8	99.5	69.8	42.7
RoE (%)	12.5	18.8	13.9	17.9

Source : RBL Research

Con-call highlights: 1) Expect debt reduction going forward, currently 2.86x. 2) 22 OTT platforms planned in OTC apps. 3) 4 lakh customers in loans business. 4) Medium term, expect growth in non-telecom areas like B2B, D2H, etc. 5) The company has 18mn credit score customers. 6) Family plans continue to drive growth in postpaid segment. 7) Capex expected to see moderation in FY25. 8) Broadband penetration in India is 40% in homes and growing. 9) Limited 5G monetization, but focus remains on overall returns. 10) The management believes that tariffs hike should happen across industry. 11) Customer addition is a function of large scale rollout efforts that the company has done during the quarter. 12) In the home broadband plan, the entry level plan is Rs 499/month and further heads up to Rs 699/month. 13) The company will continue to invest in transport infrastructure and home broadband. It is looking for acquisitions in B2B areas to strengthen portfolio. 14) Tower requirement is expected to saturate in the rural areas in FY25. 15) Customer additions are coming from corporate segment and multiple SIMs. 16) The company expects moderation in finance costs and depreciation and amortization cost in the next 2 quarters. 17) Broadband business is 5% of the overall telecom business in India. 18) 2mn 5G customers as on March 2024.

Net sales increased by 4.4% YoY, however, declined by 0.8% QoQ

EBITDA increased by 3.6% YoY while it declined by 2.3% QoQ

Reported PAT declined by 51.1% YoY and declined by 101.8% QoQ

P&L Account Quarterly - consolidated

Particulars, Rs cr	Q4FY24	Q4FY23	Y-o-Y (%)	Q3FY24	Q-o-Q (%)
Net sales	37,599	36,009	4.4	37,900	(0.8)
Network operating expenses	7,599	7,402	2.7	7,593	0.1
Access charges	1,850	1,885	(1.8)	1,857	(0.4)
License fee / Spectrum charges	3,111	2,828	10.0	3,021	3.0
Personnel costs	1,364	1,263	8.0	1,323	3.1
Sales & Marketing expense	2,067	1,984	4.1	2,047	0.9
Other overheads	2,244	1,950	15.1	2,245	(0.0)
EBITDA	19,365	18,697	3.6	19,815	(2.3)
EBITDA Margin (%)	51.5	51.9	-42 bps	52.3	-78 bps
Depreciation	10,075	9,406	7.1	10,074	0.0
Interest	5,203	5,163	0.8	6,645	(21.7)
Other income	317	285	11.2	440	(27.9)
Share of profit / (loss) from associates	830	601	38.2	703	18.1
EO gains / (loss)	(2,456)	-	-	(130)	-
PBT	2,778	5,014	(44.6)	4,108	(32.4)
Tax	710	788	(9.9)	1,232	(42.4)
Effective tax rate (%)	25.6	15.7	983 bps	30.0	-444 bps
Reported PAT	2,068	4,226	(51.1)	2,876	(101.8)
Minority Interest	(3.4)	1,220.4	-	434.2	-
PAT (after minority interest)	2,072	3,006	(31.1)	2,442	(15.2)

Source : RBL Research

India business remains strong with revenue growth of 12.9% YoY/2% QoQ

Revenue Break Up

Particulars, Rs cr	Q4FY24	Q4FY23	Y-o-Y (%)	Q3FY24	Q-o-Q (%)
Mobile Services India	22,066	19,549	12.9	21,639	2.0
Mobile Service Africa	9,293	11,032	(15.8)	10,297	(9.7)
Mobile Service S.A	96	81	19.2	95	1.7
Airtel Business	5,462	4,785	14.1	5,195	5.1
Homes Service	1,316	1,097	20.0	1,272	3.4
Digital TV Services	769	729	5.5	784	(1.8)
Others	78	30	159.3	50	56.9
Total	39,079	37,302	4.8	39,330	(0.6)
Less: Inter Segmental	1,480	1,293	14.5	1,431	3.5
Total Revenue	37,599	36,009	4.4	37,900	(0.8)

Source : RBL Research

EBIT from India business increased by 18.3% YoY/0.7% QoQ

EBIT Break Up

Particulars, Rs cr	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Mobile Services India	4,829	4,082	18.3	4,795	0.7
Mobile Service Africa	2,883	3,599	(19.9)	3,414	(15.6)
Mobile Service S.A	(62)	(49)	28.2	(65)	(3.6)
Airtel Business	1,520	1,477	3.0	1,501	1.3
Tower Infrastructure	819	617	32.9	667	22.8
Homes Service	325	268	20.9	300	8.3
Digital TV Services	64	71	(10.4)	91	(30.1)
Others	38	4	892.1	38	0.3
Total EBIT	10,415	10,068	3.4	10,740	(3.0)

Source : RBL Research

4G subscribers growing at a healthy pace of 12.8% YoY/3.2% QoQ

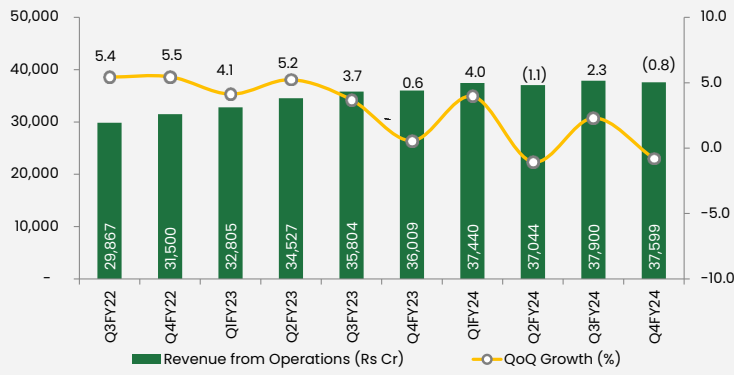
India Wireless KPIs

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Wireless Traffic (b min)	1,210	1,124	7.6	1,161	4.2
Total Subscribers (mn)	406	375	8.3	397	2.4
Data Subscribers (mn)	261	233	12.1	253	3.0
4G Subscribers (mn)	253	224	12.8	245	3.2
ARPU (Rs)	209	193	8.3	208	0.5
MOU (min)	1,158	1,122	3.2	1,127	2.8
Data Traffic (b mb)	17,391	14,248	22.1	16,377	6.2
Data Usage per Subscriber (GB)	23	21	8.9	22	2.7
Monthly Churn (%)	2.4%	2.8%	-40 bps	2.9%	-50 bps

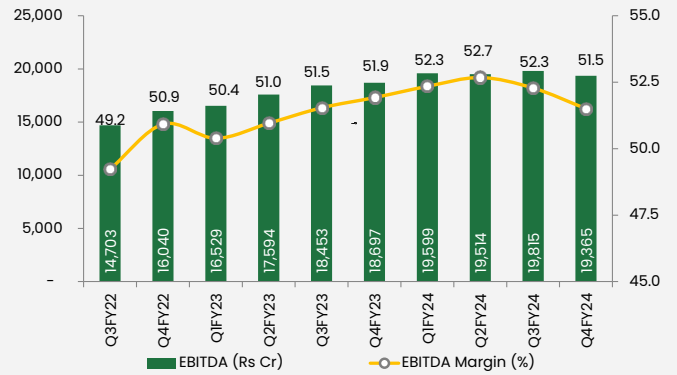
Source : RBL Research

Story in charts

Revenue from operations declined marginally by 0.8% QoQ

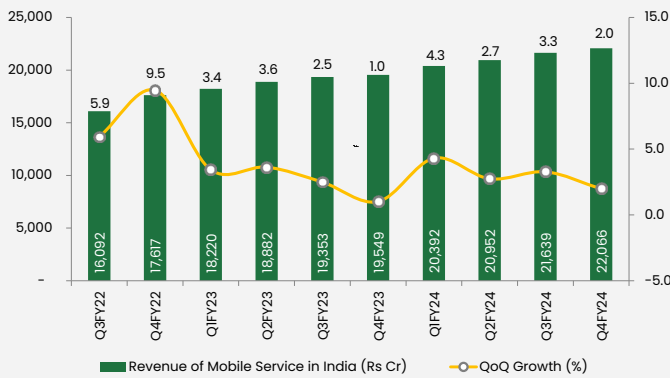


Slight moderation in EBITDA margin

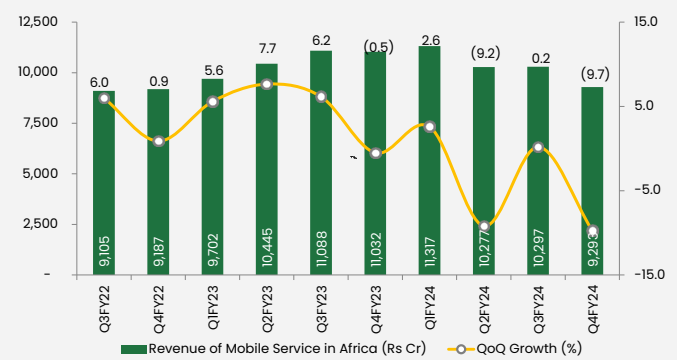


Source : RBL Research

Mobile services revenue in India increased by 2% QoQ/13% YoY

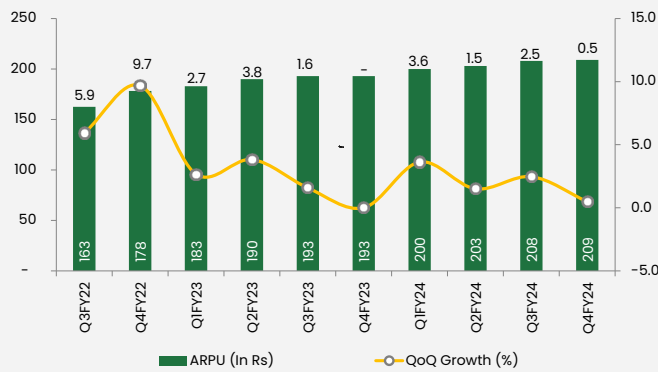


Mobile service revenue from Africa region declined by 16% QoQ/9.7% YoY

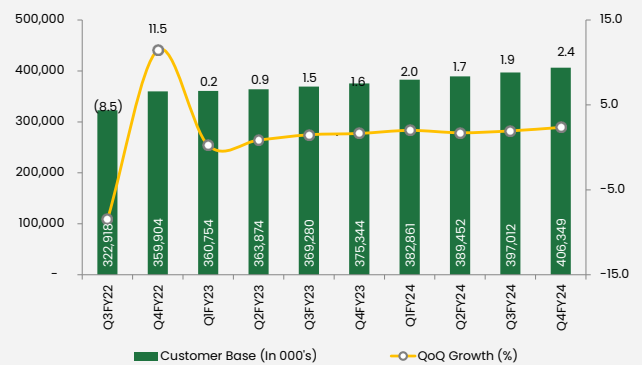


Source : RBL Research

ARPU increased marginally by 0.5% QoQ/8.5% YoY to Rs 209

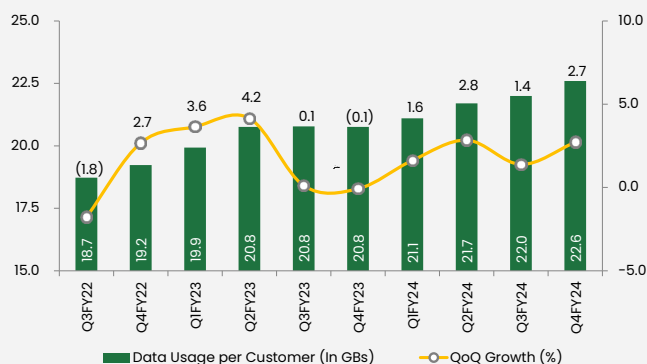


Customer base increased by 2.4% QoQ/8.3% YoY

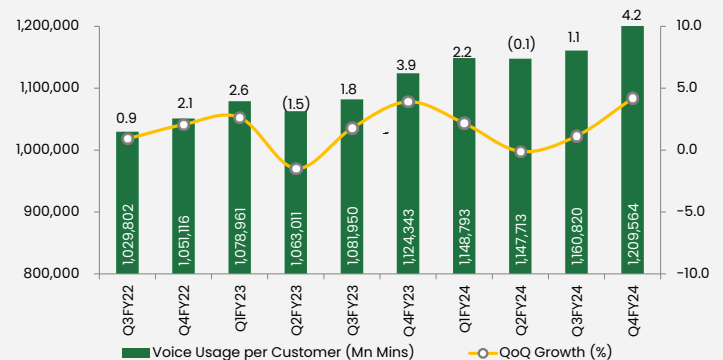


Source : RBL Research

Data usage per customers continues to surge



Voice usage per customer increased by 4.2% QoQ/7.6% YoY



Source : RBL Research

P&L Account – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net sales	139,145	149,982	179,979	212,375
Expenditure				
Network Operating Expense	28,543	30,019	35,366	41,312
Access Charges	7,621	7,519	8,729	9,881
License fees / spectrum charges	11,752	12,036	14,398	16,689
Employee Costs	4,831	5,323	6,299	7,757
Sales & marketing expense	7,245	8,133	8,549	9,608
Other Overheads	7,879	8,662	9,809	10,926
Total Expenditure	67,871	71,691	83,150	96,173
EBITDA	71,274	78,292	96,829	116,202
EBITDAM (%)	51.2	52.2	53.8	54.7
Other income	937	1,435	1,794	2,243
Depreciation	36,432	39,538	47,445	56,934
PBIT	35,778	40,190	51,178	61,511
Interest expenses	19,300	22,648	24,912	26,158
Share of Profit from Associates	752	2,709	-	-
PBT (before exceptional income / (loss))	17,231	20,251	26,265	35,353
Extraordinary income / (loss) (net of tax)	(670)	(7,572)	(1,250)	250
PBT	16,561	9,970	25,015	35,603
Tax	4,273	4,121	9,506	12,461
Reported PAT	12,287	8,558	15,509	23,142
Minority Interest	3,942	1,091	4,859	5,734
PAT (After minority interest)	8,346	7,467	10,650	17,408

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Share Capital	2,836.6	2,876.6	2,876.6	2,876.6
Reserves & Surplus	74,726	79,142	86,340	99,721
Total Shareholder's Fund	77,563	82,019	89,217	102,597
Minority interest	28,881	23,545	28,254	33,340
Non-Current Liabilities				
Total debt	226,020	215,592	227,746	237,900
Other long term liabilities	13,276	12,354	14,824	17,493
Deferred tax liabilities	2,076	2,512	2,652	2,652
Long term provision	474	544	653	771
Current Liabilities				
Trade payables	32,895	35,133	42,159	49,748
Short term provisions	25,729	28,328	34,601	43,010
Other current liabilities	39,718	44,505	53,405	63,018
Total Liabilities	446,633	444,531	493,512	550,529
Fixed Assets	95,224	106,612	93,242	96,308
Current work in process	49,425	16,904	20,285	23,936
Intangible assets	127,523	140,754	153,204	164,704
Non current investment	28,249	31,333	37,599	44,367
Other non-current assets	69,758	71,409	85,691	101,115
Deferred Tax Assets	18,952	19,243	23,091	27,248
Current Assets				
Current investments	4,705	270	323	382
Inventories	258	364	437	515
Trade receivables	3,982	4,728	5,673	6,694
Cash & Cash equivalents	13,418	16,340	30,077	33,469
Other current assets	35,139	36,575	43,890	51,790
Total Assets	446,633	444,531	493,512	550,529

Source : RBL Research

Cashflow – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Reported PBT	16,561	12,679	25,015	35,603
Depreciation	36,432	39,538	47,445	56,934
Tax paid	(4,273)	(4,121)	(9,506)	(12,461)
Working capital Change	9,696	7,335	13,867	16,610
Operating Cash Flow (a)	58,416	55,431	76,822	96,686
Capex	(90,795)	(31,635)	(49,906)	(75,151)
Free Cash Flow	(32,379)	23,796	26,916	21,535
Investments	(27,957)	(299)	(20,602)	(22,250)
Investing Cash Flow (b)	(118,751)	(31,934)	(70,508)	(97,402)
Debt Issuance/ (Repaid)	56,342	(10,428)	12,154	10,154
Dividend Paid	(2,269)	(4,603)	(3,452)	(4,027)
Share Capital Issuance, QIP proceeds	4,932	-	-	-
Others	1,256	(7,136)	(1,279)	(2,019)
Financing Cash Flow (c)	60,261	(22,166)	7,423	4,108
Net Cash Flow (a + b + c)	(75)	1,330	13,737	3,392
Closing Cash	13,418	14,748	28,485	31,878

Source : RBL Research

Key ratios – consolidated

Particulars	FY23	FY24	FY25E	FY26E
Per Share Ratios (Rs)				
EPS	14.7	13.0	18.5	30.3
Book value per share	136.7	142.6	155.1	178.3
Profitability Ratios (%)				
EBITDA Margin	51.2	52.2	53.8	54.7
PBT Margin	11.9	8.5	13.9	16.8
Net Profit Margin	6.0	5.0	5.9	8.2
RoCE	7.5	7.8	9.7	11.4
RoE	12.5	18.8	13.9	17.9
Efficiency (x)				
Fixed Asset Turnover	1.2	1.1	1.5	1.8
Debtor (Days)	10	12	12	12
Interest Cover Ratio	1.8	1.7	2.0	2.3
Debt-Equity Ratio	2.9	2.6	2.6	2.3
Valuation Ratios (x)				
P/E	87.8	99.5	69.8	42.7
P/B	9.4	9.1	8.3	7.2
EV/EBITDA	13.3	12.0	9.7	8.2

Source : RBL Research

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Specific analyst(s) specific disclosure(s) inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 is/are as under:

Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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